

CAPE HENLOPEN SCHOOL DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING
AGREED-UPON PROCEDURES

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Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

Ms. Janice Hanwell
Assistant Superintendent
Cape Henlopen School District
1270 Kings Highway
Lewes, DE 19958

Dear Secretary Woodruff and Ms. Hanwell:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (the DOE) and Cape Henlopen School District (the District) solely to assist you, the specified parties in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2005. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2005. Management is responsible for the District's compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls include written policies and procedures to ensure that each control objective is met. We determined that the District utilizes the DOE manuals and memorandums.

Finding - continued: These manuals and memorandums provide guidance regarding the eligibility of students; they do not address the District's internal controls regarding the preparation, review and reporting of student enrollment figures. In addition, the District office provides to its school officials through emails and internal mail the District's unit count process and any new or updated procedures. It is our determination that the District does not have their own set of written internal policies and procedures regarding the September 30 unit count.

While performing the other agreed-upon procedures we determined that the policies they have, although not written, are being adhered to. As described later in this report an error did occur when reporting the September 30 unit count figures from the school to the District which in turn were reported to the State. It was our determination that this error could have been prevented with a more thorough review of the unit count figures at the school level before they were reported to the District.

Recommendation: It is our recommendation that in order to comply with state requirements the District should compile its unit count policies and procedures already in place into a written format to include the following:

- References to pertinent rules and regulations as stipulated by the DOE or DE Code
- Policies and procedures in regard to gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound documentation, documentation relating to children placed in alternative education settings, re-engineered students, etc.)
- Retention policy of records supporting the September 30, 2005 unit count
- Attendance-taking process in which it should include E-School software procedures (if applicable)
- Verification of attendance by upper level management
- How the District/school ensures that IEP files are current and meet the required guidelines
- How the District/school ensures that required documentation is maintained for students in vocational or co-op programs

It is also our recommendation that the District thoroughly review its policies and procedures regarding the September 30 unit count with its schools.

Auditee Response: The District concurs with the above finding and will compile current unit count policies and procedures into a written format to include the recommended topics. The District estimates a completion date of May 12, 2006.

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding: The Delaware Department of Education's A Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30 Enrollment and Unit Computation states:

“... each school shall maintain September enrollment records in a manner that will allow for efficient enrollment audits.”

Finding - continued: During the engagement, the following conditions were found:

School	Condition
Cape Henlopen High School	Our review of the count showed that 12 regular education students who qualified to be counted in the unit count were not included. This error was attributed to a poor review of unit count figures at the school level. These 12 students would have given the high school an additional unit.

Recommendation: It is our recommendation that the District thoroughly review its unit count policies and procedures with Cape Henlopen High School to ensure the District receives all of its entitled units.

Auditee Response: The District concurs with the above finding and is extremely concerned with not obtaining all entitled units. An internal investigation is on-going in order to establish procedures and controls that ensure all entitled units are obtained. The District estimates a completion date of May 12, 2006 for these procedures and controls.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five "Individualized Education Program" (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE's Administrative Manual for Special Education Services and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with the DOE's Administrative Manual.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students' files contain the required documentation in accordance with the DOE's Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected both in the Cooperative Education and Diversified Education Programs contained the required documentation in accordance with the DOE.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District's control procedures for monitoring, tracking and reconciling the number of employees are adequate.

- Determine if the District's control procedures for monitoring and tracking salaries charged to the State's general fund are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls include written policies and procedures to ensure that each control objective is met.

Cape Henlopen provided us with their written policy on salary administration. It is our determination that the policy was insufficient. Insufficient written policies and procedures create a greater risk of noncompliance with DE Code and the DOE regulations and guidelines.

Recommendation: It is our determination that the policy would be more effective if revised to include the following:

- References to regulations and guidelines as stipulated by the DOE
- References to pertinent sections of DE Code
- Detailed procedures in reconciling actual staff to Division I units
- A management review process of staff listings and reconciliations including a time frame for completion.

Auditee Response: The District will revise and broaden the existing policy as recommended above. The District estimates a completion date of March 15, 2006.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Finding: When comparing the actual number of paid positions by category to the number of authorized positions as determined by the State it was determined that the District was operating within its number of authorized positions by category.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents =	100%
Assistant Superintendents =	100%
Principals =	100%
Directors =	100%
Classroom Teachers =	10%

Finding: All employees selected, as detailed above, were found to be correctly paid in accordance with 14 DE Code, Chapter 13 which specifies salary schedules.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding: The District chose not to request a waiver from the DOE.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if FY04 and FY05 occupational-vocational funds expended from July 1, 2004 through June 30, 2005 were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

Finding: All expenditures, relating to FY04 and FY05 occupational-vocational funding, were determined to be (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY04 and FY05 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding: The District office properly allocates and monitors the spending of occupational-division funds by school to ensure that the school which generated the funding is the school that receives the funding.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Bellevue, Lyons & Shuman, P.A.

December 16, 2005
Wilmington, Delaware